

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF GRAYSON COUNTY WATER )  
DISTRICT, GRAYSON COUNTY, KENTUCKY, )  
(1) FOR A CERTIFICATE OF PUBLIC CONVENIENCE )  
AND NECESSITY AUTHORIZING SAID DISTRICT )  
TO CONSTRUCT MAJOR IMPROVEMENTS AND ADDITIONS )  
TO ITS EXISTING WATER DISTRIBUTION SYSTEM ) CASE NO. 8249  
PURSUANT TO THE PROVISIONS OF CHAPTER 74 )  
OF THE KENTUCKY REVISED STATUTES; (2) SEEKING )  
APPROVAL OF THE ADJUSTMENT OF WATER SERVICE )  
RATES AND CHARGES; AND (3) SEEKING APPROVAL )  
OF THE ISSUANCE OF CERTAIN SECURITIES. )

INTERIM ORDER

Preface

On May 28, 1981, the Grayson County Water District ("Utility") filed with this Commission its duly verified application seeking a certificate of public convenience and necessity authorizing the construction of a 200,000 gallon elevated water storage tank and related appurtenances. The Utility also seeks approval of the proposed plan of financing the project and approval of proposed adjustments to its existing rates for providing water service. Approximately 710 customers located in Grayson County, Kentucky, are currently being served by the Utility.

The case was set for hearing on the construction and financing aspects of the application in Frankfort, Kentucky, July 8, 1981.

All parties of interest were notified in the manner prescribed by the Kentucky Revised Statutes and no protests were entered.

This Interim Order addresses matters related to the Utility's proposed construction so that construction bids can be accepted before their scheduled date of expiration - September 3, 1981. A subsequent Order of this Commission will address the Utility's proposed adjustment in rates.

A copy of a letter from the Sanitary Engineering Division of the Kentucky Department for Natural Resources and Environmental Protection approving the Utility's plans and specifications for the proposed project is on file with this Commission.

#### Findings in This Matter

The Commission, after a review of the record and being advised, is of the opinion and finds that:

1. Public convenience and necessity requires construction of the Utility's proposed waterworks project in Grayson County, Kentucky, as set forth in the application.

2. The Commission should address only the construction and financing aspects of the instant case by means of this Interim Order. The hearing on the proposed rates which has been set for September 17, 1981, precludes addressing the matter of rates until after the date of expiration of bids on September 3, 1981.

3. No specific findings are made herein regarding the proposed rates. In the final Order in this case, the Commission will set rates necessary to provide the Utility with an opportunity to recover its reasonable operating cost, service its debt and provide a reasonable surplus for equity growth.

4. The construction project proposed by the Utility consists of a 200,000 gallon elevated storage tank, telemetered controls, other appurtenances and improvements, and approximately 830 feet of 8 inch pipe, at a total project cost of approximately \$326,000.

5. The financing of this project in the amount of \$326,000 is composed of a \$143,000 FmHA loan and a \$183,000 FmHA grant. Further, that an exceptionally favorable market for obtaining bids has placed the Utility in a position wherein additional improvements can be planned. The FmHA recognizes the needs for improvements in the Utility's service area and has agreed that the surplus for the current project, amounting to approximately \$23,000, can be used for additional improvements. The Commission, therefore, finds that approval of the total financing of \$326,000 should be granted at this time. The Commission, however, qualifies this approval with the requirement that plans for the additional work be submitted for Commission approval before construction thereon is begun.

6. The financing of this project, as delineated in finding number five herein, is for lawful objects within the corporate purposes of the Utility, is necessary and appropriate for and consistent with the proper performance by the Utility of its service to the public, and will not impair its ability to perform that service.

7. Any construction deviations from the contract plans and specifications herein approved, which could adversely affect service to any customer, should be subject to the prior approval of this Commission.

8. The Utility should furnish the Commission with duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

9. The contract between the Utility and the Engineer should require the engineer to provide general engineering supervision and full-time resident inspection under his supervision to insure that the construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

10. Within 60 days of the date of substantial completion of this construction, the Utility should require the Engineer to furnish this Commission with a copy of the as-built plans and a certification that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

#### Orders in This Matter

The Commission, on the basis of the matters hereinbefore set forth and the evidentiary record in this case:

HEREBY ORDERS that the Utility be and it is hereby granted a certificate of public convenience and necessity for the construction of the waterworks improvements delineated by its contract plans and specifications thereto, as filed in the record in this matter.

IT IS FURTHER ORDERED that the Utility be and it is hereby authorized to finance its proposed construction by means of the \$326,000 financing that has been secured as follows: \$183,000 FmHA grant, and 40-year FmHA bonds in the amount of \$143,000 at FmHA's current rate of interest. Further, that this \$326,000 in project

funds shall be used only for the lawful objects as set forth in the application.

IT IS FURTHER ORDERED that any construction deviations from the said contract plans and specifications which could adversely affect service to any customer shall be subject to the prior approval of this Commission.

IT IS FURTHER ORDERED that the Utility shall file with this Commission a duly verified document or documents which show the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

IT IS FURTHER ORDERED that the contract between the Utility and the Engineer shall require the Engineer to provide general engineering supervision and full-time resident inspection under his supervision to insure that the contractor's construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

IT IS FURTHER ORDERED that the Utility shall require the Engineer, within 60 days of the date of substantial completion of the proposed construction, to furnish this Commission with a copy of the as-built plans and a certification that the construction has been satisfactorily completed and has been done in accordance with the contract plans and specifications.

Nothing contained herein shall be deemed a warranty by the Commonwealth of Kentucky, or agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 6th day of August, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Voh  
Chairman

Katherine Bundall  
Vice Chairman

David Hargrave  
Commissioner

ATTEST:

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Secretary